

700 Home Owners Insurance

**701 Providing Basic Readability Requirements for Homeowners Insurance Policy Forms
[Formerly Regulation 27]**

1.0 Purpose

- 1.1 The purpose of this regulation is to assure that homeowners policies issued on July 1, 1978 or thereafter shall be readable and understandable by a person of average intelligence and education. This regulation is specifically not intended to affect homeowners policies issued before July 1, 1978 but compliance to this regulation by June 1, 1978.

2.0 Authority

- 2.1 Pursuant to 18 **Del.C.** §314, "The Commissioner may make reasonable rules and regulations necessary for or as an aid to the administration or effectuation of any provisions of this Title."

3.0 Applicability

- 3.1 The provisions of this regulation shall apply to homeowners policies. A homeowners policy for the purpose of this regulation include the following:
 - 3.1.1 All basic, broad, special and comprehensive forms including tenants and condominium unit - owners forms.
 - 3.1.2 A separate homeowners forms and endorsements.
- 3.2 The requirements of this regulation shall apply to all policy forms providing coverages as mentioned in this section received by this Department for filing.

4.0 General Guidelines

- 4.1 The Policy as a Legal Document
 - 4.1.1 Revision of the insurance policy to make it more readable must not lead to its devaluation as a legal document.

COMMENTARY

The principal objective of policy revision is to make it readable and understandable to the average layman. This does not mean that language used should be so informal that the importance of the contract is lessened. While unnecessary legalistic terminology can be and should be avoided, precision and accuracy must not be sacrificed in the process. Moreover, the revised policy should be sufficiently formal that it cannot be mistaken for a brochure or other advertising piece.

- 4.1.2 The policy revision must proceed with the highest degree of care and caution.

COMMENTARY

Simplification is a desirable by-product of such a project. However, simplification and "Streamlining" should be advertent and deliberate. Great care must be exercised to make certain that coverages set forth in the readable policy accurately express the intent of the drafters. The revised policy should conform to the existing policy or to newly introduced coverage concepts.

- 4.2 General Organization of Text

- 4.2.1 The revised policy shall be organized in such a manner that the text follows logical thought patterns.

COMMENTARY

Initiation of a readability project affords the insurer a unique opportunity to rearrange the contract into logical thought outline flow sequence.

- 4.2.2 Coverages shall be self-contained and independent to the greatest degree possible.

COMMENTARY

An effort should be made to rewrite with the objective of making each coverage independent of other policy provisions to the greatest degree possible. Some contract formats do not lend themselves to ease of comprehension. Even a knowledgeable reader must often refer to several different policy parts in order to solve specific coverage questions. Revisions should avoid this where possible.

- 4.2.3 General policy provisions applying to all or several coverages alike shall be located in a common area.

COMMENTARY

While policy conditions applicable only to certain coverages should be located in the appropriate coverage section, this does not mean that each section must be redundant as to certain provisions common to all, or virtually all, coverages. This means on the one hand that there must be some repetition and, on the other, that there must be some compromise with the goal of independence of coverage provisions.

- 4.2.4 Non-essential provisions shall be eliminated and the policy should be simplified wherever possible.

COMMENTARY

Careful review may well result in identification of unnecessary language. Some reduction of surplusage may be necessary in order to conserve space which may be needed in other areas for additional material introduced to improve readability.

4.3 Specific Organization Suggestions

- 4.3.1 The readable policy should generally comply with the following organizational format:

- 4.3.1.1 Type size shall not be smaller than 8 points.

COMMENTARY

Generally, readability is enhanced by judiciously combining reasonably large type with other printing devices. However, other factors must be considered in order to avoid an overly lengthy policy. Increased paper and postage expense may result from adoption of large size type. Therefore, 8 point type size is an acceptable minimum.

- 4.3.1.2 Type style selection should be at the discretion of the insurer, but care should be taken in selecting a legible type.

COMMENTARY

Extreme type styles, such as "Old English" or heavy block should be avoided. There are many acceptable type styles and reliable printers are generally capable of properly advising as to which individual style or combination of styles is most desirable for ease of reading.

- 4.3.1.3 Captions or headings shall be designed to stand out clearly.

COMMENTARY

Insurers should consider adoption of bold-face captions or use of a different type size or type style for headings and captions. Upper case type or printing in contrasting color may also be used for emphasis.

- 4.3.1.4 White space separating coverages, policy sections, and columns should be sufficient to make a distinct separation.

COMMENTARY

Ample usage of white spacing can enhance readability. Insurers should use white or buffer space between the various headings, captions, and columns to avoid squeezing too much language on any one page. This makes the policy less of a challenge to the reader.

- 4.3.2 In order to enhance readability, insurers shall consider adoption of the following optional devices:
- 4.3.2.1 Insurers should consider use of various devices to make the homeowners insurance policy more attractive, and thus, more readable.

COMMENTARY

Policies are more readable if printed on highly contrasting ink and paper. Use of more than one color might be advisable. Insurers may wish to use appropriate illustrations.

- 4.3.2.2 Convenience of size and weight should not be overlooked.

COMMENTARY

Policy size and weight of paper is a problem, and will inevitably involve certain compromises. In general, insurers must evaluate their capacity to produce policies of a particular size, based on existing forms, procedures and equipment. The policyholder's convenience in storing the policy should be kept in mind. Cost of mailing and printing is an essential and proper consideration.

- 4.3.2.3 There must be included a comprehensive table of contents for the reader unfamiliar with the text.

COMMENTARY

A policy table of contents is a necessary readability aid and permits ease of location of important contract provisions.

- 4.3.2.4 Defined words and terms shall be selected with care and insurers shall include a separate definition section to appear early in the policy format.

COMMENTARY

Defined words and terms shall be used for purposes of clarity and to avoid frequent repetition and avoidable redundancy. Defined words may then be capitalized or underlined in the text. Definitions should be kept to a minimum. Many words and terms, particularly those common to one coverage or section, can be explained in the text material itself without appearing to be formal definitions.

4.4 General Readability Guidelines

4.4.1 Policy revisors must adopt modern principles of writing in order that the revised policy can be read with increased comprehension. Some of these principles are as follows:

4.4.1.1 To be readable, the policy shall be written in everyday, conversational language to the extent possible to preserve the legal meaning.

COMMENTARY

Legalistic terminology and legal sounding phrases should be avoided wherever possible. The adoption of conversational style does not mean that writing should be less accurate than at present. Undoubtedly, there will be portions of the contract requiring precision of thought and specific legal terminology. However, this should be kept to a minimum. Contractions can be used where appropriate. Correct grammar should be used throughout the text. Debasing of the English language is not necessary in order to make a formal document more comprehensible to its readers.

4.4.1.2 Use short, familiar words wherever possible.

COMMENTARY

Vocabulary is a tool, a means to an end. It is not a proper end in itself. Avoid long, polysyllabic words when short ones will do just as well.

4.4.1.3 Sentences are more readable if they are short and simple.

COMMENTARY

Most experts in modern writing agree that good sentences would average less than 20 words. It is preferable to express a complete thought in each short sentence and then to convey complex ideas by use of several short sentences. Periods are better than colons or semicolons unless an outline style is adopted.

4.4.1.4 Use a personal style.

COMMENTARY

Use of "his," "her," "you," etc. is proper in a formal document. Current use of the impersonal style in insurance contracts does not lend itself to ease of comprehension. Present tense and active verbs should be used wherever possible.

4.4.2 Readability formulas shall be used to check the revised policy text against the previous existing standard text.

COMMENTARY

Modern readability tests measure comprehension on the basis of sentence and word length and emphasize that short sentences and monosyllabic words are preferable when complex concepts are to be conveyed to the reader. All such homeowners insurance policy forms shall have a total "readability score" of 40 or more on the Flesch Scale, although forms with a Flesch Test Score of less than 40 may be approved where the length of sentences and words are sufficiently compensated for by compliance with standards set forth above.

5.0 Review

- 5.1 Any homeowners insurer seeking qualification of its homeowners insurance policy forms pursuant to section 4.0 of this regulation shall file a written statement by an authorized officer certifying compliance with the provisions of this regulation. In the event that the general guidelines of this regulation have not been followed, the homeowners insurer shall submit a written sheet labeled "Appendix A" which lists the areas of non-compliance and states the reasons therefor. Thereafter, the Commissioner shall review and determine the acceptability of said homeowners policy forms.
- 5.2 To emphasize; the sole purpose of this regulation is to produce readable policies, not unwarranted expansion or contraction of policy coverage under the guise of readability. If it is necessary to alter coverage, such change must be noted and explained upon submission for filing.

6.0 Enforcement

- 6.1 Willful violation of this regulation shall be punishable pursuant to the provisions of 18 **Del.C.** §314(c).

7.0 Compliance Date

- 7.1 This regulation shall become effective June 1, 1978. All homeowners policies issued on July 1, 1978 or thereafter shall comply with the provisions of this regulation, providing that, all homeowners insurance policies meeting general readability guidelines which have been submitted and approved by the Insurance Commissioner prior to the effective date of this regulation shall not have to comply with the provisions of this regulation until June 1, 1978.